



# County of Los Angeles CHIEF EXECUTIVE OFFICE

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April 1, 2013

To: Supervisor Mark Ridley-Thomas, Chairman  
Supervisor Gloria Molina  
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Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

## WASHINGTON, D.C. UPDATE ON THE FEDERAL BUDGET

### Executive Summary

This memorandum is to provide the Board with an update on the Federal Budget.

- **Continuing Resolution.** On March 26, 2013, the President signed H.R. 933, a Federal Fiscal Year (FFY) 2013 Continuing Resolution (CR), which funds most programs through which the County receives funding at the same level as in 2012, and extends the Temporary Assistance for Needy Families (TANF) Program through the end of FFY 2013.

The CR does not avert FFY 2013 sequestration cuts, but most of the County's total Federal revenue is received through low-income mandatory programs, such as Medicaid, TANF, and Title IV-E Foster Care and Adoption Assistance, which are exempt from sequestration cuts. It also requires each Federal department to release an FFY 2013 spending or operating plan by program and activity level, which would reflect the impact of sequestration cuts, by no later than April 25, 2013.

- **Budget Resolution.** The House and Senate passed widely divergent FFY 2014 budget resolutions. The House version would balance the Federal budget in 10 years entirely by reducing spending by \$4.6 trillion, while the Senate version

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would reduce the deficit by \$1.8 trillion below the Congressional Budget Office's (CBO) current law baseline through a combination of spending cuts and \$975 billion in revenue increases.

- **Budget Timetable.** The President's FFY 2014 Budget is expected to be released the week of April 8, 2013, which is the same day when Congress will reconvene from its Easter recess. The next key Federal budget deadline is May 18, 2013 - the day on which Federal borrowing authority will run out unless a Federal debt ceiling increase is enacted.

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### **FFY 2013 Continuing Resolution (H.R. 933)**

Before leaving for its two-week Easter recess, Congress cleared H.R. 933, a Continuing Resolution, which funds all Federal programs and operations and also extended TANF, through the end of FFY 2013 (September 30, 2013). The President signed H.R. 933 into law on March 26, 2013 - one day before the date on which a short-term CR, which had been funding Federal programs and extending TANF, was due to expire. Overall discretionary spending for FFY 2013 in the bill adheres to the \$1.043 trillion ceiling, which was set by the Budget Control Act (BCA) of 2011. H.R. 933 does not avert the BCA-required across-the-board FFY 2013 sequestration spending cuts, which means that discretionary non-defense programs through which the County receives funding still are subject to 5 percent spending cuts.

H.R. 933 funds the vast majority of programs through which the County receives funding in FFY 2013 at the same level as in the prior year, but provides funding increases for some programs that would reduce or eliminate the impact of sequestration cuts on final FFY 2013 funding. Programs receiving funding increases include:

- State Criminal Alien Assistance Program (SCAAP) funding is increased by \$10.2 million to \$250.2 million in FFY 2013;
- Byrne Justice Assistance Grant formula funding is increased by \$12.45 million to \$364.45 million;
- Refugee and Entrant Assistance is increased by \$247.7 million to \$1.016 billion;
- Child Care and Development Block Grant funding is increased by \$50 million to \$2.328 billion;
- Homeless Assistance Grant funding is increased by \$132 million to \$2.033 billion;

- Section 8 Tenant-Based Rental Assistance is increased by \$25 million to \$18.939 billion with an advance appropriation of \$4 billion available on October 1, 2013 (the first day of FFY 2014); and
- Public Housing Operating Fund is increased by \$300 million to \$4.262 billion.

The exact FFY 2013 funding level and amount of sequestration cuts for individual programs and activities are subject to interpretation by the Executive Branch, and some Federal departments have limited authority to transfer funds between programs and activities. The bill requires each Federal department to submit an FFY 2013 spending or operating plan by program and activity level, which reflects the impact of sequestration cuts, to Congress by no later than April 25, 2013. At that time, the impact of FFY 2013 sequestration cuts on FFY 2013 funding for discretionary programs through which the County receives funding will become known. However, it is certain that FFY 2013 sequestration cuts will reduce the County's overall Federal revenue by less than one percent because the County receives most of its Federal revenue through low-income mandatory programs, such as Medicaid, TANF, Title IV-E Foster Care and Adoption Assistance, Child Support Enforcement, and the Supplemental Nutrition Assistance Program, which are exempt from sequestration cuts.

It also is noteworthy that, as in recent years, H.R. 933 authorizes the Department of Justice (DOJ) to transfer up to 10 percent of FFY 2013 funding for any state and local law enforcement grant, such as SCAAP, to other programs and activities within its Office of Justice Programs. To mitigate the impact of sequestration cuts on Federal administrative costs and/or favored programs, there is a heightened risk that DOJ may use this authority to transfer 10 percent of total SCAAP funding to other activities. Last year, DOJ used such authority to transfer 10 percent (\$24 million) of total FFY 2012 SCAAP funding to other activities. When combined with the reduction in SCAAP funding from FFY 2011 to 2012, this resulted in a total reduction in SCAAP payments to state and local governments of roughly \$57 million below FFY 2011.

### **FFY 2014 Budget Resolution**

The House passed its FFY 2014 budget resolution (H. Con. Res. 25) on a 221 to 207 vote on March 21, 2013, while the Senate passed, 50 to 49, its version (S. Con. Res. 8) on March 23, 2013. The purpose of the annual budget resolution is to set non-binding spending and revenue targets to guide Congressional action on fiscal legislation, including appropriations and tax legislation. Budget reconciliation legislation, which is required by a jointly adopted budget resolution, importantly does not require a 60-vote majority to overcome a filibuster on the Senate floor. A budget resolution, however, has

not been jointly adopted by both houses since FFY 2010 when that year's budget reconciliation bill was used as the vehicle for enacting health care reform.

The House and Senate-passed budget resolutions differ greatly, making it extremely unlikely that both houses will be able to reach agreement on an FFY 2014 budget resolution. The House version would balance the Federal budget within 10 years entirely by cutting spending by \$4.6 trillion while the Senate version would reduce the deficit by \$1.8 trillion below the CBO's baseline through a combination of spending cuts and \$975 billion in revenue increases. Other major differences include:

- The Senate budget would replace the roughly \$109 billion a year in sequestration cuts that are required over the next eight years under current law with an equal mix of spending cuts and revenue increases. The House budget, instead, would replace defense sequestration cuts with deeper cuts in non-defense spending - especially with significantly lower annual ceilings for non-defense discretionary spending.
- The House Budget assumes major mandatory (entitlement) spending cuts over the next 10 years, including \$1.7 trillion in savings by repealing the Affordable Care Act (ACA), \$810 billion by converting Medicaid into a state block grant, and \$125 billion by converting the Supplemental Nutrition Assistance Program (SNAP) into a state block grant. The Senate budget calls for far smaller mandatory spending cuts, which would include \$275 billion in savings from health programs, such as Medicaid, without making major structural or eligibility changes.
- The Senate budget includes a total of \$100 billion in economic stimulus funding in the form of increased infrastructure funding and job training funding.

The House budget resolution is very similar to last year's House budget resolution, and the House Budget Committee even used the same title - "The Path to Prosperity" - for its budget plan. It assumes a different amount of savings from various proposals, such as the repeal of the ACA, to reflect the CBO's revised current law baseline estimates.

### **Budget Timetable**

The President is expected to release his Proposed FFY 2014 Budget the week of April 8, 2013, which is nine weeks after the date that is required by law. However, Congressional budget deadlines also are rarely met. Most notably, FFY 2013 appropriations were not completed until March 26, 2013, which was nearly six months after FFY 2013 began.

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The next key Federal budget deadline is May 18, 2013, the date through which the Federal debt ceiling is suspended. Therefore, Congress will have to enact an increase or further suspension of the Federal debt limit by that date in order for the Federal government to borrow funds needed to finance Federal operations and to avoid a default on its debt service. Such "must-sign" legislation also could be the vehicle for other budget-related provisions, including deficit reduction measures. The main purpose of the Budget Control Act of 2011, which established the current sequestration spending cut procedures, was to increase the Federal debt ceiling. At that time, House Republicans insisted that the Federal budget deficit be reduced by an amount equal to the increase in the Federal debt limit.

We will continue to keep you advised.

WTF:RA  
MR:MT:lm

c: All Department Heads  
Legislative Strategist